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SECOND CLASS

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Mega-Changes for Megastores

Nationwide DSN Report

The simmering competition among office supply megastores hit the boiling point last month as companies merged, opened stores, retrenched, invaded new markets and tested the waters for public funds.

These developments shook the world of office supply discounting in late March and early April:

- Staples, the industry's second largest megastore chain, invaded a new market, Baltimore, setting up another duel with the nation's largest office supply chain, Office Depot;
- OfficeMax, an up-and-comer chain partly owned by Kmart Corp., opened its milestone 50th unit;
- Two smaller Western chains, The Office Place and O.P. Club, agreed to merge their 10-store and nine-store operations, respectively.

Mergers, Expansions, Recession Challenge Office Supply Retailers

- Office Products of America, parent of eight-store Office Stop, failed to raise \$10 million in new capital, forcing it to hold talks with creditors in an effort to avoid bankruptcy.
- And, in a surprise move, OW Office Warehouse decided to turn to Wall Street to fund an expansion designed to double its size to a total of 46 units.

"The recession has created a state of

flux in the marketplace, and we're trying to move fast to take advantage of the situation," said Office Place president Rajeev Seshadri of his chain's merger with O.P. Club.

The Redwood City, Calif.-based Office Place and O.P. Club of Phoenix operate a total of 19 stores, 10 Office Place locations in the San Francisco area and nine O.P. stores in Utah, Ari-

zona and Southern California. Major stockholders of the two companies, which are privately held, will provide additional funding to finance expansion.

"We expect the combination to tremendously strengthen the competitive positions of each company," said Rajeev Seshadri. "This combination should provide many opportunities for growth in the future."

Primarily, the growth will come from not only expanded buying power, expansion capital and economies of scale, but also from "a larger market profile in a psychological sense. Analysts predicted that 1992 or 1993 would be the year of the shakeout in the office industry; it looks like it really happened in late 1990 and early 1991."

The two megastores are, on the face
(Continued on page 62)

AutoZone Stock Soars; Proceeds from IPO Will Pay Down Debt

MEMPHIS, Tenn. — Seizing on the stock market surge, the investment firm that acquired AutoZone in a 1984 leveraged buyout has taken the company public.

At a whopping \$23 a share, compared to a projected \$17 to \$19, Kohlberg Kravis and Roberts (KKR) has sold a 10% stake in AutoZone through an initial public offering of 3.5 million shares.

AutoZone will use the net proceeds of the \$84.8 million offering to pay down mortgage debt. The company is a majority owner, when it took over the parent, major grocer expected nine times the price per share anticipation an off Auto-

marily itself) in 1987.

Neither KKR partners nor AutoZone executives and directors (which hold a 17.4% beneficial interest), including president and chief operating officer Peter Formanek, sold shares. Instead, the 3.25 million shares are newly issued.

AutoZone now operates 553 automotive parts and accessory stores compared to 520 in 1990.

AutoZone stores offer no auto service, but instead stock parts and accessories that appeal to the do-it-yourself customer as well as the part-time, "backyard" mechanic.

AutoZone formerly called itself Auto Shack, but the company changed its name in 1988 in order to settle a lawsuit that Radio Shack brought over the use of the word 'shack.'

Even though the automot-

(Continued on page 70)



Costco, Tukwila, Wash.: The 31,000-square-foot home improvement department offers homeowners/contractors a full product assortment.

Costco Tests Home Center Dept. to Boost Avg. Ticket

By Arthur Markowitz
KIRKLAND, Wash. — Costco Wholesale has begun testing a home improvement department within its massive Southcenter store in the Seattle suburb of Tukwila.

The innovative move came as Costco disclosed the four new stores it will open during its 1991 fiscal year ending Aug. 31. Those openings will raise its count to 73 clubs. It plans to further expand in the Northeast with units in Connecticut, New York (on Long Island) and New Jersey in fiscal 1992.

The wholesale club is maintaining its program of rolling out optical, pharmacy and fresh foods departments in more

stores. The fresh food operation, deployed in the greatest number of units, 53 at the end of fiscal 1990, will be in 73 clubs by the end of this fiscal year.

Costco has used the 220,000-square-foot Southcenter to test a number of ventures, including fresh meat, produce, bakery and deli departments. The membership warehouse industry's four other major chains now include those categories in a growing number of stores.

Costco added fresh foods to increase shopper frequency. The home center test is designed to boost average transactions, particularly through sales of big ticket items—pro

(Continued on page 10)

QuickResponse: Quickly Shaping Retail Business

By Don Longo
NASHVILLE — QuickResponse is rapidly changing from a technology-driven system of automatic replenishment to a merchandising concept which requires a change in the way retailers and manufacturers conduct business.

"QuickResponse changes the way retailers do business," said Dave Carlson, senior vice president of corporate information systems, Kmart, at last month's QuickResponse '91 conference here. "Retailers need to send suppliers detailed sales history. Sharing your sales data may contradict your instincts, but suppliers need that information if we are to achieve the goal of QuickResponse."

Carlson, along with Wal-Mart senior vice president for MIS Bob Martin and Target vice president of merchandise planning and control Paul Singer, was among a host of discount chain executives to attend the gathering co-sponsored by AIM USA and VICS (Voluntary Interindustry Communications Standards).

"Getting the customer what she wants, when she

(Continued on page 62)

IDE THIS ISSUE

mes Prez	Checkstand Sales A Mixed Blessing
page 2	page 13
nderway	Customer Comfort Key to Prototypes
page 3	page 41

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MARKETWATCH

Kmart 17th DC Opens in Ocala, Fla.

OCALA, Fla. — Kmart has opened its 17th distribution center, a 1.55 million-square-foot facility here, that will supply its stores in Florida and Puerto Rico. Kmart currently has 162 stores in the two markets. The discounter plans to open a similar size DC in Greensboro, N.C., later this year or early in 1992, followed by another DC in Manteno, Ill., next year. All the centers process just hard lines.

Wal-Mart Tests Four Closeout Stores

BENTONVILLE, Ark. — Wal-Mart now is operating four of its test closeout stores called Bud's Warehouse Outlets. The first two 40,000-square-foot units opened last September in Franklin, Tenn., and West Memphis, Ark. Units quickly followed in Talladega, Ala., and Houma, La. Merchandise assortment varies from store-to-store, as do the offerings in Sam's Club units.

Wal-Mart Borrowing Lifted to Swap Debt

BENTONVILLE, Ark. — Wal-Mart boosted the dollar volume of 10-year notes sold April 1 to \$750 million from the \$500 million originally envisioned. Due April 1, 2001, the notes were favorably priced to yield 8.676%. That was just 60 basis points (hundreds of a percentage point) more than the yield on U.S. Treasury notes of the same maturity. Wal-Mart will use the proceeds to provide working capital and to swap some of its \$756 million in short-term debt for long-term debt.

Top Sears Officials Shut Out on Bonuses

CHICAGO — The poor performance of the Sears Merchandising Group has resulted in the company's 12 top officers failing to earn bonuses. Chairman Edward A. Brennan's earnings, absent the bonus, dropped \$614,357 to \$978,854, making him the second highest paid Sears executive. Highest paid was Philip Purcell, chairman of the subsidiary Dean Witter Financial Services Group, who earned a bonus and received, in total, \$1.365 million, according to Sears' proxy statement. The top officers of Sears' other subsidiaries also earned bonuses.

Wal-Mart Launches Private Label Tools

BENTONVILLE, Ark. — Wal-Mart has launched a private label mechanic's hand tool line to compete with Sears' Craftsman. Called Pro-Mark, the foreign-sourced line offers a lifetime guarantee, as does Craftsman, but costs less—half as much for some tools. A few stores, including Wal-Mart's store in Rogers, Ark., have started to carry the line. Carried in larger stores, Pro-Mark replaces a previous Wal-Mart private label, Workman's Choice, a line of cheap imports. Wal-Mart also is going to start carrying Skil power tools, in addition to Black & Decker. Unlike Craftsman, Pro-Mark doesn't include power tools.

Kmart Sets Date for 1st Super Center

MEDINA, Ohio — Kmart will open its first Super Center store here July 25. The 147,000-square-foot grocery and general merchandise store is the chain's first combo store since the opening of its third and last American Fare hypermarket in Jackson, Miss., last summer.

Highland Superstores Closes 9 Stores

PLYMOUTH, Mich. — As Highland Superstores continues its quest for a buyer and/or investor, it has exited the Minneapolis-St. Paul and upstate New York markets. Five of its six Minneapolis store leases have been acquired by a third party; no word on the disposition of the four New York leases. The closings will result in an estimated \$9 million to \$14 million restructuring charge in the first quarter. The firm also announced that it has reached a deal with its lenders for its \$7 million seasonal reduction in borrowing to be paid at a rate of \$1 million every two weeks over the 90-day period from March 25 to June 21.

Fabricland, House of Fabrics to Merge

SHERMAN OAKS, Calif. — After years of informal discussions and months of aggressive negotiations, Portland-based Fabricland has signed a deal to merge with its competitor, 602-unit House of Fabrics as part of a stock swap agreement valued at roughly \$53 million. The merger is expected to be completed by mid-year. The merged retailer will have annual sales of nearly \$500 million. Both chains sell fabric, notions and craft supplies.

ShopKo Taps Kramer Prez; Tyrrell Remains as Chairman

GREEN BAY, Wis. — Dale P. Kramer has been named president and chief operating officer of ShopKo, the 110-store Midwestern discount chain based here. He assumes the position from current president and chief executive officer William J. Tyrrell, who will continue to serve as chairman of the board and advisor to Kramer.

Kramer, a Purdue graduate, joined ShopKo in 1971 as director of professional services. He then moved his way up the corporate ladder as divisional merchandise manager, vice president/gmm, and executive vp and coo.

Tyrrell also joined the company in 1971, as administrative assistant to then-president James Ruben. A year later, he was named president and chief executive officer, and in 1985 became senior vice president of ShopKo parent Super Valu Stores, the food wholesaler and grocery operator.



Dale Kramer



William Tyrrell

"ShopKo has experienced another outstanding year," Tyrrell said while announcing Kramer's appointment. "Our most current fiscal year ended Feb. 23, with record sales and earnings. I am confident that the appointment of Dale Kramer . . . will continue ShopKo's leadership position of growth and prosperity in the retail industry."

(Continued on page 70)

Environment Focus of IMRA Meeting

By Don Longo

NEW ORLEANS — The main topic of concern at last month's International Mass Retail Association's Advertising conference here was one that a speaker described as "a long way removed from advertising and marketing."

Environmental responsibility overshadowed other key issues, such as micromarketing, customer shopping behavior and legal problems as reps of about a dozen mass retail chains met here to discuss common dilemmas.

"We at Wal-Mart want to be responsible to the expectations of our constituency," said Paul Higham, vice president, marketing. "We challenged the people we compete against to be more involved. We will continue to share the

processes involved in this. We will not make this an advertising and marketing issue."

Kmart's vice president of sales and marketing, Bill

Parker, pointed out that the Troy, Mich.-based discounter has created an environmental mission statement focusing

(Continued on page 70)

DSN Accepts DISC Award Entries

NEW YORK — Discount Store News has announced the official "call for entries" for the 1990 DISC (Discounter in Service to the Community) award.

This prestigious annual award was created by DSN in 1979 to recognize the many outstanding community service programs undertaken by conscientious retailers.

Last year, Target was honored for its comprehensive and creative community service efforts which included such programs as "Kids for Saving the Earth" and relief for victims of Hurricane Hugo.

Entries must contain the following:

- A statement of 100 words outlining your company's corporate philosophy and strategy for community service.
- Appropriate documentation including all creative pro-

(Continued on page 70)

IN THIS ISSUE

CHECKSTAND MERCHANDISING

Busy Registers May Mean Long Lines 13
Candy Offers Sweet Payoff to Retailers 13
Baseball Cards Mean 'Big League' Bucks 19

PRE-IMRA COVERAGE

IMRA Convention to Focus on Partnerships 23
Schedule of Events 26
Exhibitor List 28

DALLAS MARKET STUDY

1990s Finds Metroplex a City of Megastores 33

PROTOTYPES & PRESENTATIONS

Stores to Become More Customer-Friendly 41
Target Greatland Offers More Space, Attention 44
Marshalls Attracts More Upscale Shoppers 46
Wal-Mart: 'Customer Comfort' Key in Redesign 48
'Mini-Mall' Concept Boosts Montgomery Ward 50
Toys 'R' Us Gives '90s Consumers More 53
Bradlees Fits Prototype to Various Sized Stores 53

DEPARTMENTS

Classified	64	Taking Stock	8
Columns:		Washington Report	8
Buyers & Sellers	6	Editorial	6
Prevention Pays	8		

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EDITORIAL

21 Reasons to Attend IMRA's Expo

The annual get-together for the nation's discount department stores and specialty retailers sponsored by the International Mass Retail Association is only three weeks away. It is by far the most important event for the largest and most viable segment of the retail industry.

I have previously referred to IMRA's annual bash as "an event that no one would dare to miss. A rally of sorts; a showing of power, strength and dominance."

I also have described the annual convention as a "time of unity; a time to exchange ideas and seek solutions to common problems."

It's all that and much more!

Next month's convention, which runs May 4 to 7 at the Loews Anatole Hotel in Dallas, has a "new look," according to IMRA, and it certainly is worth a trip. The program (see page 23) has been revamped and the format has been streamlined to make it a more productive and more efficient show, claims IMRA. The theme of this year's convention is "Partnership. We Make it Happen."

Here are a few reasons (a lucky 21 to be exact) why you should attend:

1. The best way to develop partnerships is face-to-face. Whether you're a retailer or a vendor, if you are serious about developing the partnerships that are required to implement QuickResponse and do business in the 1990s, then IMRA's convention is a must.

2. The opportunity to visit Dallas, one of the most competitive, and most interesting retail markets, nationwide.

3. No, you can't use Mother's Day as an excuse not to go this year, because the convention is the week before.

4. A sports program that includes golf, tennis and a 5K race co-sponsored by IMRA, DSN, and Gitano. This is a great way to build friendships and meet the executives you often do business with, but seldom see.

5. The best schedule of seminars in the industry.

6. A chance to visit Wal-Mart's Hypermart USA (again!), but there have been some changes.

7. The Dallas Cowboy cheerleaders—even if it isn't football season.

8. Dr. Henry Kissinger.

9. The merchandise show featuring about 300 exhibitors displaying new products and services in all categories.

10. A special banquet honoring Sam and Helen Walton.

11. A special seminar on QuickResponse, one of the most important business strategies for the 1990s.

12. Comedian Bob Newhart.

13. The exchange of ideas.

14. The opportunity to help develop new ideas and programs that will impact the future of retailing.

15. Dr. Joyce Brothers.

16. A chance to meet the most influential execs in retailing.

17. A session on customer service techniques.

18. Bobby Knight.

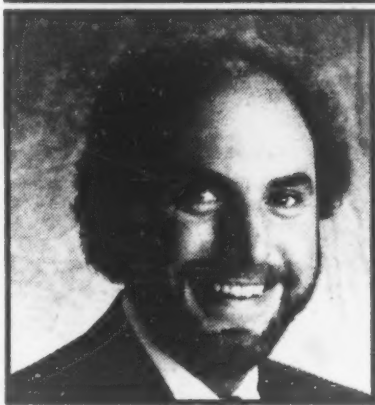
19. A chance for your wife to shop the Galleria or Sam's Club or hundreds of other exciting retailers.

20. The Discount Store News Show Daily.

21. An educational, enjoyable and memorable weekend.

Remember, you simply cannot measure the success of this convention by the sheer number of attendees. It must be measured by *who* is there, not *how many* are there.

See you in Dallas!



TONY LISANTI
Editor

BUYERS & SELLERS

Retailers Try to Pare Down Debt With IPOs

As I write this column in early April, the stock market is on fire. Most of the major indices hit new highs, including the S&P 500 (the most broad based and best composite) and the NASDAQ index (which includes numerous over-the-counter retail stocks).

Many companies are taking advantage of the red-hot market to issue new stock. The whopping success of AutoZone's 3.5 million share IPO is just one sign that investors are back in the market, in a bullish way. AutoZone, a prosperous automotive aftermarket specialty chain, saw its per share price balloon from \$23 to \$29.38 the day after the IPO. That's after Kohlberg Kravis Roberts & Co., the investment firm that acquired AutoZone in 1984, projected the initial stock price in the \$17 to \$19 range.

One reason KKR has been able to get such a premium on AutoZone stock is because it is selling new shares which will inject fresh capital in the company. Neither KKR nor AutoZone management is selling any of their holdings in the company.

In contrast, Caldor executives, whose first public offering is in registration, and other insiders are selling portions of their stock. Recently *The Wall Street Journal's* Heard on the Street column speculated that Caldor's IPO could be a tough sell because of that and the specter of increasing competition in the Northeast, particularly from Wal-Mart.

At an expected price of \$18 per share, I have no idea if the new stock is a good investment. But, I do know that Caldor has become one of the stronger regional chains in the country. There's no doubt that the former division of the May Department Stores Co. has taken market share away from oth-

er Northeast chains, capitalizing on the troubles of competitors like Ames (in Chapter 11), Bradlees (a scant 1% sales gain last year) and TSS (liquidated and closed of all its stores on Long Island). In addition, the company has partially pre-empted the invasion of Kmart on Long Island and the expected intrusion of Wal-Mart in the coming months by embarking on a store remodeling campaign.

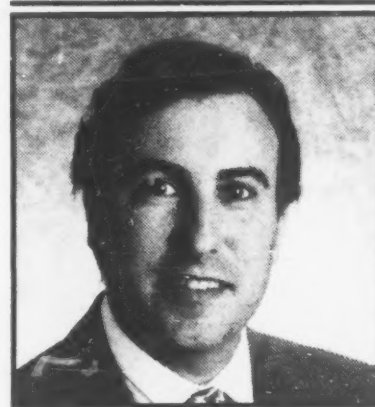
The new format appears to be working: its new store in Middle Village (Queens), N.Y., is tracking about 25% ahead of original projections of \$40 million in annual sales.

And, investors have to be encouraged that the new offering will enable the chain to pay down the awful debt load it incurred as the ransom to buy its freedom from May. That will help enable Caldor to avoid the cash flow squeeze experienced by such regionals as Hills and Stuarts.

Regardless of whether the offering is a success, Caldor's IPO is one of several new offerings by companies looking to pare down the monstrous debt they took on in the '80s.

It's another sad legacy of that decade that companies like Caldor must use the cash generated by IPOs to pay bank loans rather than renovate, expand and modernize their chains.

Closing thought: Don't be surprised if Bradlees goes public. KKR took Bradlees' parent Stop 'N Shop private in an LBO in 1989 and it has been cashing in some of its chips recently. In addition to AutoZone, public offerings of KKR LBOs last month include: RJR Nabisco, Duracell and Safeway. Bradlees has had its ups and downs (management changes, inconsistent earnings, store closings), but it would appear a logical move in light of stock market conditions.



DON LONGO
Exec Editor

Fax Us Your Letters

Discount Store News welcomes letters on timely topics. Now you can fax them to us at: (212) 980-8574. Make sure all letters are addressed to Letters Department, Discount Store News.

As usual, all letters may be edited for reasons of space or clarity. Discount Store News cannot consider unsigned letters, but will withhold names on request.

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CHECKSTAND

MERCHANDISING

Checkstand Sends Mixed Signal

Good Sales Figures at the Register May Mean Long Lines or No Lines

By Laura Liebeck
Nationwide DSN Report
Terrific checkstand sales may indicate problems of another sort: long, slow moving lines.

Since retailers aim at moving customers quickly and efficiently through the registers, a prosperous checkstand program may be at odds with that goal, according to results of a research study conducted for DSN by Leo J. Shapiro & Associates, Chicago.

Customers who stand on line waiting to make their purchase may buy a candy bar, a package of lightbulbs or a magazine, but at what cost to the retailer?

How long is too long in line? Will they come back?

"If the goal of the retailer is to minimize waiting time at the checkout, strong sales performance at the checkout counter is a signal that this goal is probably being compromised [or that business is slow if there is no waiting at the checkout at all]," said George Rosenbaum, vice president of

Leo J. Shapiro & Associates.

"Checkout sales are thus inherently a mixed blessing. Too much prosperity at the checkout counter may be a signal of shopper despair . . . or of an acute slowdown in traffic," he added.

The Shapiro survey included interviews with 450 households in February. It found that the incidence for checkstand purchases are highest among customers who don't have to wait in line behind anyone at checkout (12%) and when four people or more are ahead of them (11% making a purchase).

The survey did not include questions concerning customer response to waiting in line nor did it calculate how much time shoppers waited on line.

Nearly all respondents remembered how many people were in line ahead of them.

One out of seven said no one was in line when they arrived at checkout and 23% said there were four or more people in line. On average, two to three people were in line when the

respondent was ready to check out.

Overall, one shopper in 12 recalled making a purchase while waiting in line at checkout at a discount store.

Among shoppers with one person ahead of them, 3% made a purchase. Five percent of the shoppers said they purchased something at checkout when two people were ahead of them, and 10% said they made a purchase when three people were on line ahead of them.

Among the nation's top three discount chains, Kmart shoppers were the most likely to make a purchase at checkout (13%), compared to 9% for Wal-Mart customers and 3% for Target customers.

Kmart also had the longest lines, according to survey respondents. A mean of 2.7 people were in line ahead of the survey respondent at Kmart, compared to 2.5 people at Wal-Mart and 2.3 people at Target. This response level included people who said no one was in line ahead of them when they were checking out.

In most cases, women were more likely than men to make a purchase at checkout. The exception to this finding occurred when five and six or more peo-

ple were in line ahead of the respondent. In these two cases, men were more likely than women to make an unplanned purchase at checkout, according to survey results.

Of the people who said they made a checkstand purchase while waiting to check out, a third said they bought candy, gum or snacks. Another third of the respondents said they bought a wide range of products identified in the survey as "other." These items included light bulbs, flashlights, stereo tapes, TV Guide, magnets, playing cards, etc.

Soft goods such as socks, underwear, shirts and sweaters were purchased by a fourth of the shoppers who said they made a checkstand purchase. Another 17% of survey respondents said they

purchased personal care items such as razors, toothbrushes and tissues while waiting on line to make their purchases.

Among the individual discounters, candy was identified as the checkstand item purchased most often by Wal-Mart and Target shoppers. Kmart shoppers identified only "other" items in this survey.

All respondents in this survey identified themselves as frequent discount store shoppers, having been in a discount store a mean 2.7 weeks prior to the interview.

Shoppers identified themselves as a mean 41.8 years of age, primarily white (85.1%), having a mean household size of 3.12 people, and with a mean family income of \$32,800 a year.



The checkstand dilemma: No lines mean more checkstand purchases.

(DSN photos)

Candy Offers Quick Payoff

Nationwide Report

At an average price of 45 cents, a candy bar is a cheap urge that a consumer can easily satisfy. And that's exactly what candy manufacturers and retailers bank on.

The point of front-end candy programs is to entice customers into buying their favorite candy bar without a second thought. The payoff to retailers is just as quick: relatively high margins on fast-turning goods.

While the urge for candy is impulsive, the programs are not. All sources agree that front-end merchandising, candy included, is a highly disciplined program. Merchandise is chosen carefully and product movement is monitored closely.

"To be successful, candy needs to be attractive to consumers and contain a disciplined program of top performing bars," said Chris Ketterer, national accounts manager for Hershey USA.

Success, added Whitney Hill,



Kmart, Oak Park, Mich. Candy displays at checkout are gaining new importance.

trade relations director for M&M/Mars, depends on "access, variety and availability."

Confectionery is a \$42 billion business at retail, about one third

(Continued on page 16)

Quick Response Quickly Shaping Retail Business

(Continued from page 1)
wants it," is the goal of Quick-Response, said Carlson.

In separate sessions at the two-day conference, Singer and Jane Lucas, manager, QuickResponse, discussed Target's implementation of Quick-Response strategies.

Target began working on QuickResponse about three years ago, but no real progress occurred until the fall of 1989 when the upscale discounter created a special QuickResponse team. Twelve pilot vendors were selected to explore how they could work together as partners instead of adversaries. Pilot vendors included 3M, Bassett Walker, Commercial, Hanes, JIK, Kleinert's, Lee, Mirro, Playtex Apparel, Procter & Gamble, Sun Weave Linens, and Wrangler.

Today, almost 100 vendors are involved in QR partnerships with Target. Together, they are achieving, and in many cases exceeding, the goals of 40% reduction in lead time, 30% increase in turnover and 20% increase in sales for each product line in the QR system.

Singer detailed these aspects of QR:

- It eliminates unnecessary costs of doing business for both Target and the vendor. "QuickResponse this year is no good if it means no response next year because they [the supplier] went out of business," said Singer.

- It is the "absolute best way of providing outstanding in-stocks." Target has achieved radical improvements of more than 20% in lead time.

- "QuickResponse is partnerships," said Singer. "We did not want anyone to think this was just some logistics project. Hence, we call our program the QuickResponse Partnership [QRP], with the emphasis on partnership."

To advance the use of QR, the National Retail Federation has joined forces with VICS on a number of new programs.

And, separately, VICS has formed a QR Education Coordinating Council, charged with working with retailer and manufacturer trade associations to implement educational and training programs to support QR. Fifteen groups have become QR ECC members.

VICS' 17-member Implementation Committee, responsible for promotion of retailers', vendors' and suppliers' use of the broad range of QR technol-

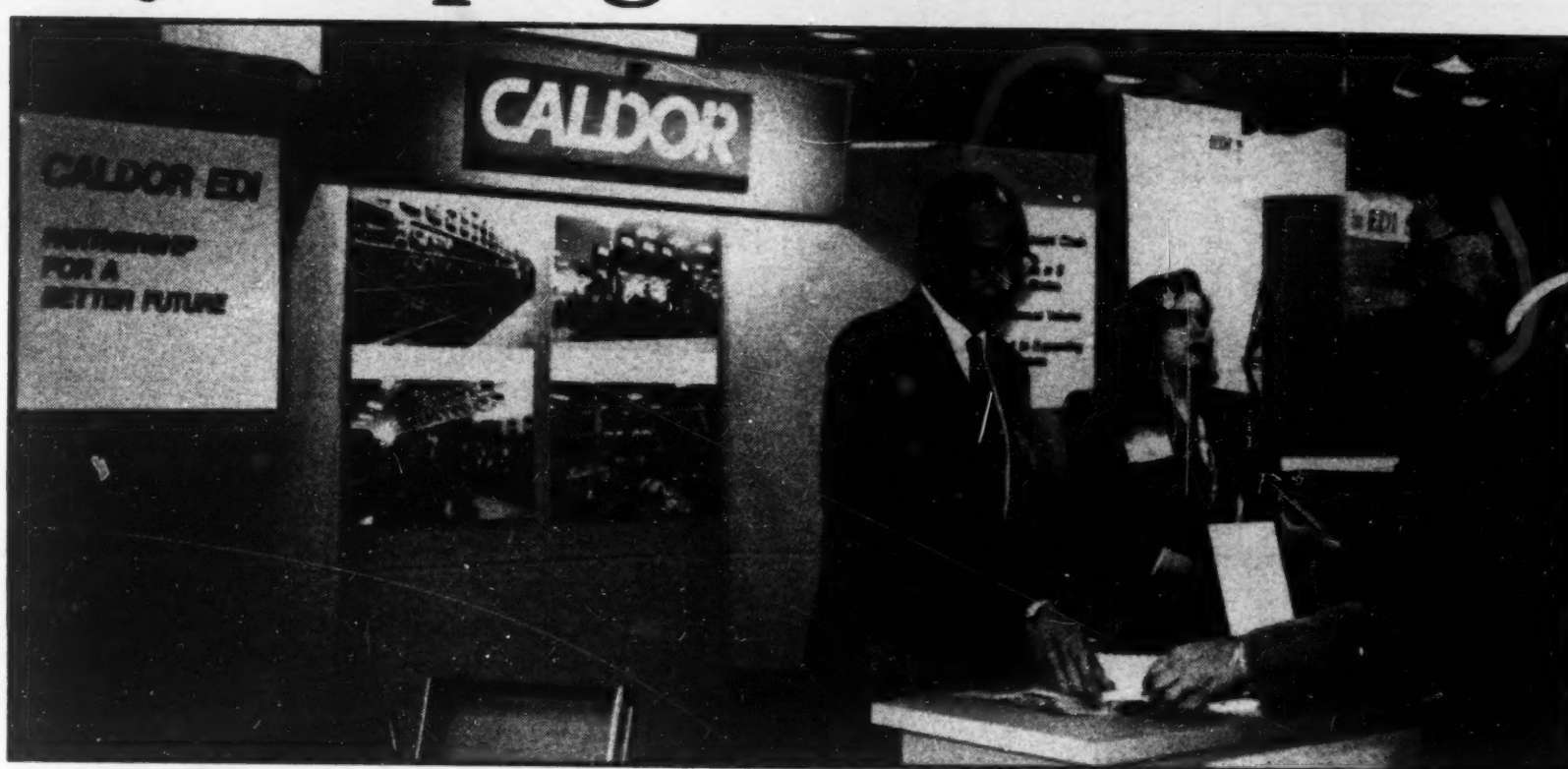
ogy, set up the QR ECC.

NRF's efforts supporting VICS QR programs include:

- Four one-day QR orientation sessions to be held in New York, May 8 at NRF's headquarters; Dallas, May 29 at the Hyatt Regency Hotel, Dallas-Fort Worth Airport; Chicago, Sept. 28 at a site to be determined, and New York, Nov. 6 at the association's headquarters.

- Distribution of the VICS QR videotape developed by Andersen Consulting and which was first shown last month at QuickResponse 91, the information and trade show sponsored by VICS and AIM (Automatic Identification Manufacturers Inc.).

The tape's first segment features an overview of QR and its technologies, implementations and benefits geared for CEOs. "The committee felt there was a void in senior management



Caldor sought new vendors for its EDI partnership at last month's QuickResponse '91 conference. (DSN photo)

education," explained Carlson of Kmart, who is also chairman of the VICS implementation committee. The second portion profiles QR case studies at four retailers: Target, Dillard's,

Mercantile Stores and KG Men's Shops.

- Creation and distribution of two QR Startup Kits, one for retailers, which is now available, and one for manufactur-

ers, which is being developed.

- Sponsoring a conference for vendors focusing on developing partnerships with retailers, with the date, location and program to be announced.

Mega-Changes for Office Supply Megastores

(Continued from page 1)

of it, very different. O.P. runs larger stores, charges for membership and operates a barebones, warehouse-type chain of stores in primarily Sunbelt markets. The Office Place locations are smaller, more upscale and exclusively in Northern California. O.P. is a major computer retailer; The Office Place isn't even in the business, although that will probably change. However, Seshadri said that the similarities far outweigh the differences.

"We share many of the same vendors, have similar operating strategies, carry the same number of sku's, and share similar views on growth," he said. Seshadri typified the proposed merger as "pretty much a done deal. The remaining paperwork is basically a formality."

Baltimore became the latest battleground between the industry's two largest chains April 1 when Staples established a foothold with an 18,200-square-foot unit in Pikesville, to be followed by a second area store, in South Baltimore, April 22.

This fall, Staples is scheduled to open two additional units there, one in North Baltimore and another in Catonsville. When that happens, Staples will have the greatest number of units in the market of the office supply megastores.

Industry leader Office De-

pot currently has two stores in the Baltimore area and Office Stop has three.

In nearby Washington, D.C., where Staples has 10 units, the specialty retailer last month opened a Staples Express store, the second such unit for the chain and the first for that market.

Staples Express, which debuted in Boston last October, is a 5,200-square-foot store, with 2,800 sku's geared to downtown professional workers such as accountants and lawyers.

One more Express store is expected to open this year, with a wider rollout slated for 1992. Likely sites would be in New York or Philadelphia.

This year, Staples expects to open about 40 stores to finish the year with 124 units. Store expansion in Southern California will be a big contributor to the store total this year.

Staples expects to end 1991 with between 31 and 33 units in California, said Miller, an increase of about 25 units. Ten of those stores are attributed to the recent acquisition of HQ Office Supplies Warehouse, which should be finalized soon.

Currently, Staples has 81 units chainwide. Staples ended the year with 74 stores.

Meanwhile, OfficeMax is shaping up as a chain to be reckoned with in the office supply industry. The Ohio-based retailer celebrated its third anniversary April 1 by opening its 50th store and moving into a new corporate headquarters building.

The chain's 50th store opened in Harrisburg, Pa. Other recent store openings were held in Albany, N.Y., and Davenport, Iowa, both new markets for the chain. OfficeMax will soon open in Pittsburgh and Mechanicsburg, Pa., as well as its fifth store in Minneapolis/St. Paul.

The company's new headquarters, in Beachwood, is in a 40,000-square-foot building,

four times larger than the old facility in Solon, Ohio.

The newest store and others slated to open this year now feature more personal computers, a greater selection of electronics, and wider aisles. Color, specifically splashes of yellow and red, have been added to the walls for design effect. White tile floors and a brighter lighting has also been added. Eight stores will be remodeled this year to this format.

OfficeMax expects to have 65 stores by July, 1991, the end of its fiscal year, and be a 100-store chain by January 1992.

Spring and summer store openings are scheduled for Detroit and Kalamazoo, Mich.; York, Pa., and Pittsburgh; Chicago, Rockford, Joliet and Springfield, Ill.; plus various cities in Ohio, New York and Iowa.

OW Office Warehouse became the latest superstore to turn to Wall Street to fund its expansion which, this year, calls for 23 new units to double the chain's size.

The Virginia Beach, Va.-based office supply discounter plans to raise between \$18.7 million and \$21.7 million by selling 1.5 million shares of common stock at \$12.50 to \$14.50 a share. Another 300,000 shares will be sold by investors who helped fund the company's launch two years ago.

OW Office Warehouse's expansion this year includes moving into four new states—Alabama, Arkansas, Georgia and Ohio—while beefing up its presence in current markets like Philadelphia, Charlotte and Raleigh, N.C., and the Greater Hampton Road, Va., area. The company's growth will increase its face-to-face competition with such other superstore chains as Office Depot, Staples, Office Max and Office America.

The chain has five units each in Virginia and in the Carolinas, four in Pennsylvania, three

each in New York and Tennessee, two in New Jersey and one in Rhode Island.

OW's optimism in seeking public funding comes as San Antonio-based Office Products of America, parent to the eight-store Office Stop chain, is preparing a restructuring plan to present to its creditors.

Thomas Klimback, president and chief executive of Office Stop, said, "Our intention is to do a restructuring of the company with creditors' support outside of" bankruptcy.

The company did not release a date for its meeting with creditors to discuss the reorganization and Klimback could not be reached for comment.

The restructuring announcement was made March 27, after Office Stop failed to raise \$10 million in new equity capital, according to a prepared statement.

OPA last raised \$7.9 million in August 1989 as part of the company's IPO. The company had been trying to raise additional capital for months to support its aggressive growth program, which originally included opening 14 to 16 stores in 1991.

Klimback said the OPA's failure to raise capital to fund expansion was connected with the Persian Gulf War.

A retail analyst, Chris Vroom with Alex. Brown & Associates, however, said OPA's failure was connected with its strategy of opening one store in a market, except for Baltimore where it has three stores. That strategy, said Vroom, "was not a good one." On a positive note, OPA did obtain a \$5 million revolving line of credit from Fremont Financial Corp., Chicago, in December.

OPA was formed in April 1989, had its IPO that August and opened its first store, in Baltimore, in January 1990. The company's eight Office Stop stores are located on the East Coast, including Paramus, N.J., and Westbury, N.Y.

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